

**Impact Analysis – Proposed Rule Change
July 27, 2015**

Agency: DHHS/Division of Child Development and Early Education
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Chapter Title: **SUBSIDIZED CHILD CARE**
Rule Amendments: 10A NCAC 10 .0102 - Definitions
10A NCAC 10 .0905 - Support to Employment:
Training for Employment
10A NCAC 10 .1007 - Requirements for Determination
and Redetermination of
Eligibility

State Impact: Yes
Local Impact: No
Substantial Economic Impact: Yes
Small Business Impact: No
Private Sector/Public: Yes

Statutory Authority for changes: G.S. 143B-153; G.S. 143B-153(2a); 42 USCS §
9858(c)(C)(N)(iii)

Summary of Proposed Regulations

The North Carolina Social Services Commission and the Division of Child Development and Early Education (DCDEE) proposes to amend rules 10A NCAC 10 .0102, .0905 and 1007 (see the Appendix for the proposed rule text). The amendments to rule .0102 will define “foster parent” and “homeless children” as they are used in the NC Subsidized Child Care Program. Amendments to rule .0905 will extend the timeframe for parents to seek employment following a job loss, add transition time between enrollment in job training or educational programs, and allow for job search upon completion of education or depletion of the maximum number of months allowed for education while they are receiving subsidized child care services. Amendments to rule .1007 will extend the period of eligibility for families receiving subsidized child care services. All but one of the changes are minimal requirements or clarifications needed to obtain funds through the Child Care and Development Block Grant Act of 2014 (CCDBG), which is the largest source of federal funding for the North Carolina’s Subsidized Child Care program.¹

These rule changes, mostly prompted by federal requirements, would allow eligible families to benefit from the NC Subsidized Child Care Program for a longer period of time, which would afford them a more opportunities to find employment and better their situation, as well as provide the children with a reliable and stable environment to develop. Eligible families, or as many as 8,000 children, may benefit \$8-9 million annually for being provided an additional 60 days of service while searching for a job or a graduated 90-day phase-out from the program once they meet a certain income threshold. The change would not result in a direct impact on the Subsidized Child Care Program as the allocation

¹ Senate Bill 1086, 113th Congress - Child Care and Development Block Grant Act of 2014, Sec 5.b N.iii.
www.congress.gov/bill/113th-congress/senate-bill/1086

of funds to the program would stay constant. Because the funds available to the program would not change, the proposed amendments would lead to more families having to wait for services. This in turn could put pressure on other state and local government programs that cater to families on the waitlist. The program most likely to be impacted would be Work First, with each additional family enrolling into this program costing the state on average between \$14,000-16,000 over 60 months. Additionally, the families that are placed on the waitlist would incur the cost of foregone job opportunities. Given all the unknowns, it is difficult to estimate the total number of families that would be waitlisted as a result of the proposed changes, and therefore the total impact on the state or the families.

Description of Rules

10A NCAC 10 .0102 - Definitions

Description:

The Division of Child Development and Early Education (DCDEE) proposes to change rule 10A NCAC 10 .0102 to add definitions for foster parent and homeless children in order to comply with the CCDBG Act of 2014.

Purpose:

The purpose of this amendment is to meet Federal requirements and to provide clarification for participation in the NC Subsidized Child Care Program. The CCDBG Act of 2014 places greater emphasis on serving homeless children, and clarifies that parental access, parental choice, etc., applies to foster parents who participate in the program.

10A NCAC 10 .0905 - Support to Employment: Training for Employment

Description:

The Division of Child Development and Early Education (DCDEE) proposes to change rule 10A NCAC 10 .0905 in direct response to the passage of the CCDBG Act of 2014. Federal legislation now requires:

- a) A minimum of 90 days to search for a job after a job loss, and
- b) Continued child care subsidy eligibility between jobs and between educational programs.

Additionally, DCDEE also wishes to specifically allow job search for 90 days following completion of education or upon exhaustion of allowed time for eligibility through education. This is not a federal requirement, but a change that DCDEE seeks to support families in becoming employed.

Purpose:

The purpose of this change is twofold. One, the change is meant to meet minimum Federal requirements set in the CCDBG Act of 2014 to ensure the state continues receiving about \$200 million annually for the program (the 2015 CCDBG allocation to NC is \$203,596,047).² Two, the change would enhance family stability for those families enrolled in the Subsidized Child Care Program. The intent is to extend the time families are eligible to participate in the program and provide them the continuity of child care needed to facilitate a job search. According to researchers from the Urban

² U.S. Department of Health and Human Services. Office of Child Care. FY 2015 CCDF Allocations. <http://www.acf.hhs.gov/programs/occ/resource/fy-2015-ccdf-allocations-including-reallotted-funds>

Institute, the lack of reliable and affordable child care is a significant obstacle for low-income parents in participating in training and education activities that help people find jobs, in job-readiness activities, and supportive services.³

10A NCAC 10 .1007 - Requirements for Determination and Redetermination of Eligibility

Description:

DCDEE proposes to change rule 10A NCAC 10 .1007 in direct response to the passage of the CCDBG Act of 2014. Federal law now requires these provisions for families receiving subsidized child care funded by CCDBG:

- | | |
|--------------|--|
| Provision 1: | The period of eligibility to be at least 12 months for working parents that receive assistance. |
| Provision 2: | That the redetermination of eligibility will not unduly disrupt work activities of recipients with income at or below the 85% of the State Median Income (SMI). |
| Provision 3: | A graduated phase out of eligibility of 90 days for families that are over the state's income eligibility limits but up to 85% of SMI at the time of redetermination, which is the maximum federal income eligibility limit. |

Purpose:

Similar to rule .0905, the purpose of this change is to meet Federal requirements and to enhance services to families participating in North Carolina's Subsidized Child Care Program.

Impact

There is no known impact to local or state agencies or to the private sector from the proposed change to rule .0102 to add definitions for these terms. This is because children with foster parents and homeless children can currently qualify for and receive subsidized child care services under existing need categories of eligibility. It is not known whether the number of children served would increase or decrease after these definitions are added to the rule. Foster care is already identified in programs administered by departments of social services, so adding a definition to the rule is not expected to impact the number of foster children served. It is not known whether referencing the McKinney-Vento definition of homeless children would result in fewer or more homeless families applying for services. DCDEE does not currently have a way to track the number of homeless children receiving services. The proposed amendment to rule .0102 does not require any additional equipment, training, or other costs to providers, nor require additional staff or cost to the Division of Child Development and Early Education or to local agencies.

Impact on State or Local Governments:

There is no direct impact to local or state agencies from the proposed rule changes. This is because, first, the current rule requires annual redetermination of eligibility unless a change occurs that impacts eligibility; and, while the rule does not specify that work activities not be unduly disrupted, in practice the agency allows for redetermination to be conducted by phone and mail if the individual is unable to

³ Adams, Gina et.al. "Child Care Assistance for Parents in Education and Training: A Look at State CCDF Policy and Participation Data." Urban Institute. October 2014. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/413254-Child-Care-Assistance-for-Parents-in-Education-and-Training.PDF>

come to the agency. Therefore, this particular change related to redetermination is a clarification of the existing requirement.

Second, the current rule provides for an annual redetermination for enrolled families and children, as long as their eligibility factors (work, education, income, etc.) do not result in a change that affects eligibility. In the case of change(s) to those factors, according to the subsidy policy, families are asked to self-report those changes and eligibility is adjusted accordingly.

Third, the rule change does not affect the amount of funding DCDEE has available for the program or the distribution of this funding among the local agencies. As a result, none of the proposed changes would require additional staff or cost to the Division of Child Development and Early Education or to local agencies.

Impact on Child Care Service Providers:

There would also not be any direct impact on the child care service providers. The proposed changes do not affect the amount of funds that DCDEE has for the program or how those funds are distributed. Additionally, this proposed rule amendment does not require any additional equipment, training, or other requirements that would impose costs on the providers.

Impact on Affected Families:

The current rule .1007 does not require that families go in person to the local agency for eligibility redetermination, so adding language that work or school activities not be unduly disrupted is not projected to have an impact on families. The option is provided in the subsidy policy for face-to-face, telephone or mailed materials to be utilized to determine and confirm continued eligibility and participation.

However, the changes to rules .0905 and .1007 affect the families that use the child care subsidy program by:

- a) Extending services by up to 60 days, from 30 to 90 days, or until new employment is found, whichever is less;
- b) Increasing the extension in eligibility for child care services by up to 60 days (from 30 to 90 days) to families where the adult is temporarily absent from work with plans to return to the same employment;
- c) Allowing a 90-day eligibility extension for an adult to complete the job training or educational program from which they are temporarily absent, where no such eligibility currently exists;
- d) Offering a 90-day transition time for families transitioning from job training and educational programs to seeking employment or to re-enter job training or educational programs, whereas these families currently have no transition time at all;
- e) Not having a redetermination when a change in income occurs during the 12-month eligibility period, as currently required by rule .1007, if the family's income is up to 85% of SMI. The agency has been interpreting the current rule requirement for redetermination to mean that whenever a family's income changes, they are to report the change to the local agency so it can be determined if they remain income-eligible. The new federal law requires a 12 month eligibility period during which services may not be terminated if a family's income increases

over the State's income eligibility limit but is still under the Federal income limit (85% of SMI). Therefore, it is possible that some families may receive services longer since their eligibility would not end sooner than the 12 months when there is a change in income such as described above; and

- f) Being granted a 90-day phase out after redetermination if the income is up to 85% of SMI. Federal requirements do not specify the amount of time for the graduated phase-out period. DCDEE proposes this time frame to be for 90 days, to align with the time period proposed for job search activities for families participating in the program who lose employment.

Despite the proposed rule amendments, there would be no change to the amount of funding that DCDEE has to run this program or to the amount counties would receive in their allocation for this situation. The allocation of funds to the program would not increase as a result of the extension of time families can access the program. While there is a new requirement to increase the percentage of CCDBG spent on activities to improve the quality of child care, it is not known at this time whether additional CCDBG funds will be available for child care services. Given the lack of funding to cover the cost of the additional time certain families would remain eligible for the program, the rule change would result in the following impacts:

- (1) A benefit to the families from extending child care services; and
- (2) A cost to children and families seeking care who would have to be placed on child care waiting lists and not be immediately served due to these extensions of service.

Benefit to Affected Families:

The benefit families would derive would be mostly in terms of the subsidy the family receives, i.e. the value of the childcare service less the family's co-payment for the program, which is up to 10% of a family's monthly income (or, more precisely, the benefit to the families would be the difference between the net value of the program and that of the next best available child care service). Based upon the most common family sizes of the families currently enrolled in Subsidized Child Care, which is a family of 2 or 3, an estimate of the subsidy benefit might be between \$423 and \$846 per month, depending on the family's income. Therefore, a 60-day extension for job seekers would add a benefit per family of about \$850-1,700. In May 2015, there were 1,003 families receiving subsidized services for job searches. Assuming this number stays fairly constant and given that the eligibility period to the program is 12 months (as long as income thresholds are met), the 60-day extension in the service would mean about an annual benefit of \$0.85-1.70 million.

A 90-day transition time for adults temporarily absent from work may add a benefit of about \$1,250-\$2,500, per family on average; and a 60-day transition for those returning to a training or education program would mean a benefit of about \$850-1,700. However, the families with income above the state threshold and below 85% of SMI who would also benefit from this rule change would likely have a higher co-pay due to their higher income and their benefit would be lower (the family's co-payment for the service is 10% of their income). There were 41,217 families served in May 2015, however, there is no information to discern how many of these families may be eligible for the 90-day or 60-day transition. For some families, the benefit may be not having to forego education and job opportunities. Estimating this benefit is complicated given all the unknowns involved.

DCDEE does not have data on the number of families that are reporting income changes during the current 12 month eligibility period. Thus, it is difficult to estimate the number of additional families

that would qualify for the entire 12-month eligibility period under the new rule and how many more months of service these families would access.

To project the benefit of the 90-day graduated period for families over the state income threshold but under 85% of SMI, DCDEE estimated the number of children who are likely to be over the state's income eligibility limit in a given month. The state's current income eligibility limits, effective since October 1, 2014, are up to 200% of the Federal Poverty Level (FPL) for children ages 0-5 and for children with special needs; and up to 133% for children age 6 and older.⁴ There is no current data available on families in the program whose income is over the FPL thresholds but under 85% of SMI since families currently would leave the program once their income exceeds the state limits. However, prior to October 1, 2014, the state's income eligibility limit was 75% of SMI for families regardless of the children's ages, which may provide a rough, lower bound estimate for the number of families who may be eligible for a graduated phase-out period. Therefore, DCDEE reviewed the number of families in the subsidized child care program in September 2014 when the state's income eligibility was 75% SMI. Approximately 8% of the children served in September 2014, or 6,227 out of 76,984 total children served that month, became ineligible under the income limits that became effective on October 1, 2014.

The number of families whose income would grow to exceed the state's income eligibility from month to month is unknown. However, if it is assumed that the 8% remained constant during the year (i.e., an equal number of families start the 90-day phase out each month as end the phase-out period), and applied this assumption to the number of children served in May 2015 – 70,916 – then the estimated number of total children benefiting from the extended services under the new rule would be about 5,700, assuming the number of children served per month stays fairly constant. Using the gross monthly benefit per child of \$423 mentioned above, the gross additional annual benefit to families would be about \$7.2 million from the 90-day extension. It is important to note the actual benefit may not be that high since a family's co-pay increases as their income increases. Families are required to pay up to 10% of their income as a co-payment in the subsidized child care program. As families' incomes grow, the amount of their co-pay increases accordingly, which decreases the state share of the subsidy payment. DCDEE is unable to quantify how the average co-payment amount for families whose income exceeds the current state income limits would change, but it would be higher. The higher co-pay amount from these families would reduce the benefit to families from extending their services for 90 days.

An additional benefit, albeit a very hard to quantify one, is gradually preparing the family for covering child care costs through the 90-day phase-out period. According to the U.S. Department of Health and Human Services:

“Providing a graduated phase-out promotes continuity by allowing for wage growth, a tapered transition out of the child care subsidy program, and supports long-term financial stability to help families get to a point to where they no longer need the subsidy. Sudden withdrawal of the support can destabilize and undermine a family's pathway to financial stability.”⁵

⁴ Note, due to these differing income guidelines, some children in a family may be eligible while others may not.

⁵ U.S. Department of Health and Human Services. Office of Child Care. Child Care and Development Fund Program Reauthorization Frequently Asked Questions. <http://www.acf.hhs.gov/programs/occ/resource/ccdf-reauthorization-faq>

As a family's income increases, their required co-payment of up to 10% of their monthly income results in them contributing a higher dollar amount towards the cost of their child care, up to where a family no longer qualifies for the program and is responsible for the full cost of care. This is a sensitive point in the family's wellbeing as the family may see only a relatively small increase in income at the same time being confronted with a high increase in cost of child care – this is also referred to as the “cliff effect.”⁶ This change would give families an additional three months of contributing a higher amount of the cost, and provide them with a smoother transition to assuming the full cost of child care.

There are additional benefits that are not entirely captured by the discussion above, and they relate to positive impacts on the development of children who benefit from subsidized care. According to a briefs and memos on subsidized child care, researchers have found that low income families receiving child care subsidies have continuity and reliability of child care arrangements that result in a number of positive education and development outcomes for children.⁷ Service disruptions can “delay socio-emotional and cognitive development because safe, stable environments allow young children the opportunity to develop the relations and trust necessary to comfortably explore and learn from their surroundings. Since the early years are the most dramatic for brain development, constant adjustment to new surroundings and routines can have long-term negative consequences on the child's cognitive development.”⁸ Also, extending the eligibility period to 12 months (as long as income is up to 85% of SMI) not only offers continuity of care for children, but increases participation of licensed, qualified care providers, and aligns the program's redetermination and reporting requirements with Medicaid, Head Start, and Supplementation Nutrition Assistance, which reduces burden on the family.^{9,10}

Cost to Affected Families:

The 60 to 90 days extended service, graduated phase-out period, and 12-months of uninterrupted service provisions for families with income at or under 85% of SMI would have an impact on other families. When some families continue to receive services for longer periods of time, this causes other families to remain or be placed on the waiting list for a longer period of time and potentially cause the total size of the waiting list to increase. The cost to the families on the waitlist would be in terms of lost opportunities to pursue education and jobs, the value of which can vary by family and is difficult to estimate, or the cost difference between subsidized and of unsubsidized child care. The cost of

⁶ Minton, Sarah and Christin Durham. “Low-Income Families and the Cost of Child Care: State Child Care Subsidies, Out-of-Pocket Expenses, and the Cliff Effect.” Urban Institute. December 2013.

<http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412982-Low-Income-Families-and-the-Cost-of-Child-Care.PDF>

⁷ Forry, Nicole et. al. “Supporting Continuity through Child Care and Development Fund Subsidies: A Review of Select State Policies.” Office of Planning, Research, and Evaluation Research Brief 2014-#32. U.S. DHHS Administration of Children and Families website. March 2014.

http://www.acf.hhs.gov/sites/default/files/opre/continuity_brief.pdf

⁸ U.S. DHHS Administration of Children and Families. Information Memorandum to State, Territories, and Tribal Lead Agencies administering child care programs under the CCDBG Act of 1990, as amended, and other interested parties. Subject: Policies and Practices the Promote Continuity of Child Care Services and Enhance Subsidy Systems. September 2, 2011. http://www.acf.hhs.gov/sites/default/files/occ/im2011_06.pdf

⁹ U.S. Department of Health and Human Services. Office of Child Care. National Center of Child Care Subsidy Innovation and Accountability. “Extending and Aligning Redetermination Periods.”

https://childcareta.acf.hhs.gov/sites/default/files/public/extending_aligning_redetermination.pdf

¹⁰ U.S. DHHS Administration of Children and Families. Information Memorandum to State, Territories, and Tribal Lead Agencies administering child care programs under the CCDBG Act of 1990, as amended, and other interested parties. Subject: Policies and Practices the Promote Continuity of Child Care Services and Enhance Subsidy Systems. September 2, 2011. http://www.acf.hhs.gov/sites/default/files/occ/im2011_06.pdf

unsubsidized child care can also vary widely, by type of child care center or whether the child is in a center at all, age of child, and location; and it can be as much as 42% of the income of the median single parent family (see Table 1 for state averages).¹¹ The subsidy can be a gage for the cost differential for subsidized versus unsubsidized child care; and as mentioned above, it can range might be between \$423 and \$846 per month for a family of 2 or 3.

Table 1. Average Annual Cost of Full-Time Child Care in North Carolina, 2013

| Child Age | Infant | 4-Year-Old | School-Age |
|-------------------|---------------|-------------------|-------------------|
| Child care center | \$9,107 | \$7,471 | \$3,740 |
| Family child care | \$6,828 | \$5,826 | \$3,641 |

Source: Child Care Aware. “Parents and High Cost of Child Care.” 2014 Report. Appendix I.

There are a number of uncertainties related to these potential changes to the waiting list and the impacts resulting from those changes. As mentioned above, there is not enough data to estimate the number of families that would be affected by the provision that extends the service for 12 months to those families who under the current rule would become ineligible due to an income increase or the 90 days extension of the program. Additionally, while we estimated that about 5,700 children would benefit from the 90-day graduated phase out and about 1,000 families would benefit from the 60-day extension in service to allow job search annually, it is unclear if this would result in the same number of children being placed on the waiting list. Subsidized Child Care is State-supervised, but county-administered. Each county receives an allocation that is calculated based upon a legislatively mandated formula, which is not affected by the proposed rule change.¹² This formula takes into consideration a number of factors that project how many families may be eligible for child care assistance in each county. Each county receives a pro-rata share of the available funding. Each county must manage the subsidized child care allocation by maintaining a waiting list when funding is insufficient to serve all eligible families. Waiting lists do not exist in all counties. Some counties have adequate funding to serve all eligible families that request the service. Other counties have large waiting lists that have little movement. For example, in July 2015, there were more than 29,000 children on the waitlist, but 28 counties had no waitlist and 8 had more than 1,000 children on the waitlist. In the counties with waitlists, the number of children on the waitlist was on average 42% of those served by the program in the county.

Additionally, the proposed changes may lead to opposing impacts on the size of the waitlist. If some families would continue to receive services for longer periods of time, this would cause other families to remain on the waiting list for a longer period of time, causing the total size of the waiting list to increase. Conversely, if families are afforded the opportunity to retain child care assistance while in transitions, more families would ultimately remain employed, increase employment as a result of job training and education, and become employed following completion of the maximum number of months allowed for job training and education or completion of an job training or educational program. This may actually increase the amount of parental fees assessed for the childcare services since a family’s co-payments for the program services for full-time care is based on 10% of the family’s income so the dollar amount would increase as the income increased. This would allow more families to be served, causing the waiting list to decrease. Given these competing factors and lack of current

¹¹ Child Care Aware website. “Parents and the High Cost of Child Care,” 2014 Report.
<http://www.usa.childcareaware.org/advocacy/reports-research/costofcare/>

¹² North Carolina General Assembly website. Session Law 2014-100, Section 12B.4.
<http://www.ncleg.net/Sessions/2013/Bills/Senate/PDF/S744v9.pdf>

waitlist data, it is difficult to estimate what the cost of families on the waitlists would be from the proposed rule change. Overall, however, based on agency experience with the program, the expectation is that the waiting list for child care assistance would less than triple despite the proposed rule tripling in most cases the amount of time a family can be eligible to receive services.

Given all the unknowns and uncertainties listed above, it is difficult to estimate what the total benefits and costs would be to families that are affected by the proposed changes to the program eligibility.

Indirect Impact on State Government:

The proposed rule change might result in some indirect impacts on state government if some of the families that would be placed on the waiting list due to the rule change would access other state government funded programs. As mentioned in the discussion above, estimating the additional number of families and time that they would have to wait for services is complicated by a series of factors. Current information technology systems do not maintain detailed information regarding families on the subsidized child care waiting list. The systems also do not provide a means to determine what other services families are receiving while they are waiting for subsidized child care. Anecdotally, it is believed that most families waiting for child care assistance are already receiving other benefits including food and nutrition services and Medicaid. This is extrapolated based upon the income guidelines used by the various programs. Families are not formally assessed prior to being placed on the subsidized child care waiting lists in the counties. Families requesting services to support employment are screened to ensure they meet the income guidelines.

DCDEE has a requirement that a waiting list survey is conducted annually. At the time of this survey, families who are no longer eligible are purged from the waiting list. Some families on the waiting list may discontinue employment or job training/education due to lack of child care subsidy assistance. When this occurs the family no longer meets the need criteria for child care assistance and is removed from the waiting list if they report this change. These families may enroll in Work First as a result of being unemployed or not engaged in job training or education programs. Typically, due to penetration rate requirements with Work First, the vast majority of counties choose to provide child care assistance immediately to families receiving Work First, without putting those families on the waiting list.

Of the families receiving child care subsidy assistance, 83% (or 36,063) received services to support employment and 5% (or 2,238) received services to support job training or education. Families receiving services due to engagement with Work First represent only 6.5% of the total families served. The Subsidized Child Program waiting list records the number of children waiting, and there were 32,981 in May 2015.

The family sizes of families receiving subsidized child care services range from 1 to 11. The majority of family sizes are 2 or 3, 15,227 and 13,054 families respectively based on May 2015 data. Work First cash assistance payments for family sizes of 2 or 3 are \$236 and \$272 per month, respectively, for a maximum of 60 months.

If a family of 2 or 3 was to engage with Work First for the maximum time allowed, the additional cost to the program would be \$14,160-16,320 per family. Again, given the different possible impacts to waitlists in different counties, it is difficult to estimate how many more families would have to wait, and therefore how many of these families may enter the Work First program and what the total impact to the program may be.

Options considered:

DCDEE considered the following options in drafting the rule changes, however, it found that they were not preferable to the proposed changes.

Option 1:

The federal minimum requirement in the CCDBG reauthorization for job search and transitions with job training and education is 90 days. DCDEE considered 180 days for the period of transition time for job search after a job loss, transitions between job training and education programs, and between education and job search. This option would have had a greater impact on families remaining on the waiting list for child care creating a further disadvantage for them. Also, it could have potentially increased the impact to as much as twice that of the 90-day option. This option was not selected due to its increased cost.

Option 2:

There is no specific federal requirement for a transitional job search period between education and employment, so DCDEE could have chosen not to propose this 90-day period. While DCDEE does not have data that indicates what happens to families whose services are terminated once education is completed, the impact of not allowing for care during this type of job search has been identified as a practical concern in the Subsidized Child Care Program for many years. DCDEE has heard from counties that families are not able to become employed as a result of immediately losing child care. As mentioned in the discussion of benefits to affected families, extension of services lead to stability in the care of a child, which can lead to positive developmental outcomes, as well as help the adult find employment or another training or educational program faster. There is no objective way to measure how many families would not become gainfully employed as a result of losing child care assistance upon completion of job training or education but before obtaining employment. Anecdotal information gathered from several counties over the past few years indicates that once a job training or education program is completed and child care assistance is terminated because the responsible adult(s) in the family is not immediately employed, some families enroll in Work First. This enables the family to continue to receive child care assistance while looking for work and the family also receives additional Work First benefits. The impact of families entering Work First when child care services are terminated has been detailed in the selected option. DCDEE believes there would be an even larger impact to Work First with Option 2. This option was not selected due to its increased cost to the Work First program.

Option 3:

One option considered was to increase the percentage for the families' co-payments during the transition period to lower the State's share of the child care payment even further during the 90-day transition. This would reduce the amount paid by the county for a family transitioning out of the program which might have allowed funding to be available to other families and not have to place those families on the waiting list. Federal regulations allow states to increase the family's co-payment during the phase-out period to create a gradual shift in how families will budget to cover the full cost of care when they are no longer receiving a subsidy. However, co-pays would need to increase quickly over the 90 day period in order to reach the full cost of care, and the current co-payment of 10% is already at the maximum amount suggested by federal guidelines to be affordable for families. In addition, family co-payments were changed by legislation effective October 1, 2014 to all be at 10% regardless of family size (previously varied from 8% - 10% depending on family size); and to no longer be pro-rated for part-time care. These changes resulted in families paying more of the cost of care. In

addition, since co-pays are currently manually calculated by county staff, changing the co-payment amount throughout a 90-day period could increase the risk of error, resulting in overpayments. For these reasons, DCDEE does not recommend requiring a different co-pay percentage or amount during the 90-day period.

Option 4:

Federal regulations allow states to decide how long families will be able to remain in care when their income is between the state limit and the federal limit of 85% of SMI. Since federal regulations require continued assistance of at least 3 months when a parent loses employment to engage in job search, resume work, or attend education or training, DCDEE feels a period of less than 90 days would not align with what the new law intended for providing support to families receiving services. The new law references that “sudden withdrawal of support can destabilize and undermine a family’s pathway to financial stability.” The option to allow families one year or more was considered; but, given the impact of a 90 day transition, more than the proposed 90 days did not seem feasible, especially since a longer transition period would extend the time that other eligible families are waiting for services, which relates to the fiscal impact described earlier.

1 **APPENDIX**

2
3 **10A NCAC 10 .0102 is proposed for amendment as follows:**

4
5 **10A NCAC 10 .0102 DEFINITIONS**

6 For the purpose of this Chapter, unless the context of the rule indicates a different meaning, the terms listed in this
7 Rule are defined as follows:

- 8 (1) "Department" means the Department of Health and Human Services.
- 9 (2) "Director" means the Director of the Division of Child Development and Early Education.
- 10 (3) "Division" means the Division of Child Development and Early Education, Department of Health
11 and Human Services, located at ~~319 Chapanoke Road, Suite 120,~~ 820 South Boylan Avenue,
12 Raleigh, North Carolina 27603.
- 13 (4) "Foster Parent" means anyone other than that child's parent(s) or legal custodian(s) who is providing
14 full time care for a child who is in the custody of a North Carolina county department of social
15 services.
- 16 (5) "Homeless Children" means the definition in section 725(2) of the McKinney-Vento Homeless
17 Assistance Act, [42 U.S.C. 11434a(2)].
- 18 ~~(4)(6)~~ "Local Purchasing Agency" means the local agency responsible for administering the state's
19 subsidized child care program.
- 20 ~~(5)(7)~~ "Owner" means any person with a five percent or greater equity interest in a child care center, family
21 child care home, or nonlicensed child care home.
- 22 ~~(6)(8)~~ "Private Agency" means a private, for profit or non-profit, non-governmental entity.
- 23 ~~(7)(9)~~ "Provider" means the owner of a child care center, family child care home, or nonlicensed child care
24 home.
- 25 ~~(8)(10)~~ "Recipient" means the parent or responsible adult approved for subsidized child care services
26 pursuant to Section .1000 of this Chapter.
- 27 ~~(9)(11)~~ "Secretary" means the Secretary of the Department of Health and Human Services.
- 28 ~~(10)(12)~~ "Subsidized Child Care Program" means the administrative, programmatic and fiscal activities
29 related to the use of public funds to pay for child care services for families.

30
31 *History Note:* Authority G.S. 143B-153(2a);
32 Eff. February 1, 1986;
33 Amended Eff. _____; December 1, 2011; April 1, 2001; February 1, 1996.

1 **10A NCAC 10 .0905 is proposed for amendment as follows:**

2
3 **10A NCAC 10 .0905 SUPPORT TO EMPLOYMENT: TRAINING FOR EMPLOYMENT**

4 (a) Child care services shall be provided to support employment of the child's parents or responsible adult.

5 (b) Child care services shall be provided to support training leading to employment of the child's parents or responsible
6 adult.

7 (c) Where a parent or responsible adult remains in the home and is capable of providing care for the child, child care
8 services shall not be provided as a support for employment or training. Where it is determined that such parent is
9 incapable of providing care for the child, the reasons for this determination shall be documented in the client record.

10 (d) Child care services may be provided when the parent or responsible adult is engaged in gainful employment on
11 either a full-time or part-time basis.

12 (e) Where the parent or responsible adult is temporarily absent from ~~work~~ work, training or educational program with
13 arrangements to continue the same employment, training or educational program, child care services shall continue
14 for at least ~~30~~ 90 days. Where an absence from ~~work~~ work, training or educational program extends beyond ~~30~~ 90
15 days, the agency responsible for determining eligibility shall determine on the basis of individual circumstances
16 whether child care shall continue beyond that time period. Where child care is continued beyond ~~30~~ 90 days, the
17 reasons for such extension shall be documented in the client's record.

18 (f) Where a parent is unemployed but is seeking employment, child care services shall be provided for at least ~~30~~ 90
19 days if the parent is already receiving subsidized child care ~~services~~. ~~services or the parent or responsible adult is~~
20 ~~enrolled in a job search activity as part of an approved employment/training plan.~~ Continuation of the service may be
21 extended if the agency determines such extension is warranted, provided the reason for the extension is documented
22 in the client's record.

23 (g) Where a parent no longer attends a training or educational program, child care services shall be provided for at
24 least 90 days to seek employment or resume attendance at a training or educational program if the parent is already
25 receiving subsidized child care services. Continuation of the service may be extended if the agency determines such
26 extension as warranted, provided the reason for the extension is documented in the client's record.

27 ~~(g)~~(h) For purposes of this Rule, training leading to employment shall include the following:

- 28 (1) continuation of high school within the school system;
29 (2) basic education or a high school education or its equivalent in community colleges or technical
30 institutes; and
31 (3) post secondary education or skills training, up to a maximum of two years enrollment.

32
33 *History Note: Authority G.S. 143B-153;*

34 *Eff. July 1, 1983;*

35 *Amended Eff. _____; April 1, 2001; March 1, 1996; July 1, 1990.*

1 10A NCAC 10 .1007 is proposed for amendment as follows:

2
3 10A NCAC 10 .1007 **REQUIREMENTS FOR DETERMINATION AND**
4 **REDETERMINATION OF ELIGIBILITY**

5 (a) The Division shall establish the requirements for application and eligibility determination and redetermination for
6 child care services. Eligibility shall be determined initially in accordance with 10A NCAC 10 .0900 and .1000, and
7 annually thereafter unless a change occurs that impacts eligibility. Parents who are employed or in school and whose
8 income is at or below the federal income limit of 85% of State Median Income shall not have these activities disrupted
9 during the 12 month eligibility period.

10 (b) At redetermination, if it is determined that the family exceeds the State's income eligibility limits, the family shall
11 continue to receive subsidized child care services for 90 days if their income is at or below the federal income limit
12 of 85% of State Median Income.

13
14 *History Note: Authority G.S. 143B-153;*
15 *Eff. July 1, 1983;*
16 *Amended Eff. _____; April 1, 2001.*